



1977 POLICE OFFICERS' AND FIREFIGHTERS' PENSION AND DISABILITY FUND  
143 West Market Street, Suite 400  
Indianapolis, Indiana 46204



**1977 POLICE OFFICERS' AND FIREFIGHTERS'  
PENSION AND DISABILITY FUND**

# **Membership and Retirement Handbook**

## INTRODUCTION

This handbook summarizes your rights and benefits as a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund ("1977 Fund").

## GENERAL INFORMATION

The 1977 Fund was established to pay pension, disability, and survivor benefits to eligible public safety officers and their survivors.

The Board of Trustees of the Public Employees' Retirement Fund ("PERF") administers the 1977 Fund. An advisory board, which includes among its members police officers, firefighters, and representatives of local government, is appointed by the Governor to advise the PERF Board of Trustees concerning administration of the 1977 Fund.

The Fund consists of member contributions, employer contributions, and earnings. These amounts are used to make benefit payments to Fund members and their survivors as specified by Indiana statutes.

### WHAT IS THE 1977 FUND?

The 1977 Fund was established to pay pension, disability, and survivor benefits to eligible public safety officers and their survivors.

This handbook explains the benefit provisions applicable to the members of the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund).

Every effort has been made to ensure that this handbook accurately describes the applicable 1977 Fund statutes; however, in the event that there is a conflict between this handbook and the statutes, benefits will be determined in accordance with the 1977 Fund statutes.



## 1977 POLICE OFFICERS' AND FIREFIGHTERS' PENSION AND DISABILITY FUND

### TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>Coverage .....</b>                         | <b>2</b>  |
| Base Salary                                   |           |
| <b>Contributions .....</b>                    | <b>2</b>  |
| Employer Contributions                        |           |
| Employee Contributions                        |           |
| <b>Retirement and Survivor Benefits .....</b> | <b>3</b>  |
| Normal Retirement Benefits                    |           |
| Deferred Retirement Option Plan (DROP)        |           |
| Early Retirement Benefits                     |           |
| Survivor Benefits                             |           |
| Beneficiaries                                 |           |
| Line of Duty Benefits                         |           |
| Cost of Living Adjustments                    |           |
| <b>Benefit Application Checklist.....</b>     | <b>8</b>  |
| Retirement Application                        |           |
| Survivor Benefit Application                  |           |
| <b>Refund of Member Contributions .....</b>   | <b>8</b>  |
| <b>Tax Consequences .....</b>                 | <b>9</b>  |
| Refund of Member Contributions                |           |
| Retirement Benefits                           |           |
| Tax Withholding                               |           |
| <b>Frequently Asked Questions .....</b>       | <b>11</b> |

Disability Benefits are covered under the *Disability Benefits Member Handbook* available from the office of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

## COVERAGE

### Am I a member of the 1977 Fund?

Membership in the 1977 Fund is mandatory for full-time, fully-paid police officers and firefighters who work for employers participating in the 1977 Fund and who are hired or rehired after April 30, 1977.

However, to become a member of the 1977 Fund, a police officer or firefighter must:

- Pass the required statewide baseline physical and mental examinations; and
- Be less than thirty-six (36) years of age.

Your department may administer additional physical agility or mental examination tests.

### Base Salary

Throughout this handbook, you will see references to the term “base salary.” All benefits paid by the 1977 Fund are calculated according to this amount. The base salary is defined by state law as the salary of a first class police officer or firefighter plus all longevity increases (if provided by the employer) for service of 20 years or less, as certified to the 1977 Fund by each department. Upon retirement, benefits are based on the base salary effective for your department in the year your service ends. This first-class salary varies from employer to employer and is certified annually to the 1977 Fund.

## CONTRIBUTIONS

### Employer Contributions

Employers are required to contribute to the 1977 Fund an annual amount, currently 21% of base salary, which is payable on a quarterly basis. This amount is determined by the actuarial firm appointed by the PERF Board.

### Employee Contributions

You also must contribute during the period of employment or for 32 years, whichever is shorter, an amount equal to 6% of the base salary. This 6% is deducted each pay period from your salary. However, the employer may elect to “pick up” all or part of the employee contribution.

If the employer “picks up” the contributions, the 6% contributions are not taxable to the employee as they are made. This means that the member will have to pay taxes on the “picked up” contributions when retirement benefits are paid to the member. See “Tax Consequences” for more information about taxation of benefits.

## RETIREMENT AND SURVIVOR BENEFITS

In general there are three types of benefits payable in the 1977 Fund, which are all funded by the employer-financed contribution and the employee mandatory contribution:

- Retirement Benefits;
- Survivor Benefits; and
- Disability benefits (See the 1977 Fund Disability Benefits Member Handbook for more information).

### Normal Retirement Benefits

#### Eligibility

You are eligible for full retirement benefits if you:

- Have at least 20 years of creditable service in the 1977 Fund;
- Are at least 52 years of age; and
- Have retired from service.

#### Amount

If you are eligible for unreduced retirement benefits, you will receive a monthly benefit equal to at least 50% of the base salary (first-class salary) in the year you retired.

If you have accumulated more than 20 years of service, you will receive an additional 1% of base salary for each 6 months of active service over 20 years, up to a maximum of 12 additional years (or a maximum additional 24% of base salary).

For example, if you retire with exactly 20 years of service, your benefit at retirement will be 50% of your department's base salary. If you retire with 30 years of service, your benefit at retirement will be 70% of your department's base salary. When you have accumulated 32 years of service or more, your benefit at retirement will be 74% of your department's base salary.

### Deferred Retirement Option Plan (DROP)

The Indiana General Assembly has made a new benefit option available to eligible members of the 1977 Fund from January 1, 2003 to December 31, 2007. This Deferred Retirement Option Plan ("DROP") is an optional form of benefit, which allows you to continue to work and earn a salary while accumulating a DROP benefit payable in a lump sum or three annual installments. When you enter the DROP, a "DROP frozen benefit" will be calculated. This is equal to your monthly retirement benefit

DROP is a new benefit option available to eligible members of the 1977 Fund from January 1, 2003 to December 31, 2007.

based on your accrued service and base salary as of the date you enter the DROP. Upon retirement, you are eligible to receive a lump sum equal to the amount of your DROP frozen benefit times the number of months you were in the DROP. You may elect to receive this amount in three annual installments, instead of in a single lump sum. In addition, you will receive a monthly retirement benefit equal to your DROP frozen benefit. Cost of living adjustments will not apply to the frozen monthly benefit while in the DROP. The cost of living adjustments will begin to be applied to the frozen monthly bene-

fit, however, in the year after the year in which you retire.

If you elected to participate in the DROP, you may, upon retirement, elect to forego DROP benefits, and instead receive monthly retirement benefits calculated as if you never elected to participate in the DROP. These benefits would be based on your accrued service and base salary as of the date you retire.

More details about eligibility requirements and how the DROP benefit is calculated can be found in other 1977 Fund publications regarding the DROP. Electing to receive the DROP benefit is an important decision that you should not make without consulting a trusted financial advisor.

| OVERVIEW OF RETIREMENT OPTIONS |  |   |
|--------------------------------|--|---|
| TYPE OF RETIREMENT             | AGE AND SERVICE REQUIREMENTS   | BENEFIT CALCULATION   |
| Normal                         | At least 20 years of service and at least age 52                                       | A pension equal to 50% of base salary + 1% for each 6 months service over 20 years. Total max. benefits is 74% of base salary for retirees with 32 years or more of service |
| DROP                           | Eligible members retiring under the DROP between January 1, 2004 and December 31, 2007 | Lump Sum or 3 Annual Installments = DROP Frozen Benefit X No. of Months in DROP + Monthly pension   |
| Early                          | At least 20 years of service and at least age 50                                       | 86% – 100% of pension payable at age 52   |

### Early Retirement Benefits

If you have 20 years of service, you may elect to retire and receive actuarially reduced benefits at age 50. The actuarial reduction factor is 14% at age 50. For example, upon retirement a person who is age 50 would receive 86% of the pension that would be payable at age 52, using years of service and base salary at retirement. The actuarial reduction factor decreases uniformly from age 50 to age 52 on a monthly basis. At age 51 the pension reduction factor is 7%; therefore, if you elected retire-

With at least 20 years service, you can retire and receive reduced benefits as early as age 50.



ment benefits at age 51, you would receive for the rest of your life 93% of a normal pension benefit, plus any additional cost of living increases.

## Survivor Benefits

### Lump Sum Death Benefit

Your heirs or estate are entitled to receive a one-time death benefit of \$9,000 upon your death.

### Survivors of Active Members (Non Line of Duty)

If you die as either an active member of the 1977 Fund, or after leaving employment with at least 20 years of creditable service but are not yet retired and receiving benefits, the following survivor benefits will be paid.

- Your surviving spouse is entitled to a monthly benefit equal to 60% of your monthly retirement benefit payable for the spouse's lifetime. Your retirement benefit will be calculated as though you were receiving retirement benefits at age 52 with 20 years of service. If you have more than 20 years of service, your benefit will be increased by 1% for each six months of additional service. Your spouse may remarry without the risk of losing the benefit.
- Each of your surviving children are entitled to a monthly benefit equal to 20% of your monthly retirement benefit until the child reaches the age of 18 or until the age of 23 if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university. Your retirement benefit will be calculated as though you were receiving retirement benefits at age 52 with 20 years of service. If you have more than 20 years of service, your benefit will be increased by 1% for each six months of additional service.
- If you have no surviving eligible child or spouse, upon submission of satisfactory proof that your parent or parents were wholly dependent on you, your surviving parent or parents, if qualified, are entitled jointly to receive 50% of your monthly benefit during their lifetime. Your retirement benefit will be calculated as though you were receiving retirement benefits at age 52 with 20 years of service. If you have more than 20 years of service, your benefit will be increased by 1% for each six months of additional service.

### Survivors of Retirees

If you die while receiving retirement or disability benefits:

- Your surviving spouse is entitled to a monthly benefit equal to 60% of your monthly retirement or disability benefit payable for the spouse's lifetime. Your spouse may remarry without the risk of losing the benefit; and
- Each of your surviving children are entitled to a monthly benefit equal to 20% of your monthly retirement or disability benefit until the child reaches the age of 18 or until the age of 23 if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university.
- If you have no surviving eligible child or spouse, upon submission of satisfactory proof that your parent or parents were wholly dependent on you, your surviving parent or parents, if qualified, are



## SURVIVOR BENEFITS CHART

|  | NON-LINE OF DUTY<br>(ACTIVE MEMBER)                                  | RETIREE  | LINE OF DUTY<br>(ACTIVE MEMBER)   |
|--|--|--|---|
| Lump Sum Death Benefit                                     | \$9,000 to heirs or estate   | \$9,000 to heirs or estate   | \$150,000 to surviving spouse, children, or parents + \$9,000 to heirs or estate                                  |
| Surviving Spouse   | 60% of eligible benefit payable for life                             | 60% of member's benefit payable for life                             | 100% of eligible benefit payable for life   |
| Each Surviving Child*                                      | 20% of eligible benefit payable to age 18 or 23 if full time student | 20% of member's benefit payable to age 18 or 23 if full time student | 20% of eligible benefit + 1% for each 6 months service over 20 years payable to age 18 or 23 if full time student |
| Wholly Dependent Parent(s) if no surviving spouse or child | 50% of eligible benefit payable for life                             | 50% of member's benefit payable for life                             | 50% of eligible benefit payable for life  |
| If you have no survivors eligible for a pension            | Your contributions + interest are refunded to your estate            |  |   |

\* Benefits are paid continuously to disabled children for the duration of their physical or mental disability (regardless of age).

entitled jointly to receive 50% of your monthly benefit during their lifetime.

### Beneficiaries

Eligible beneficiaries for members of the 1977 Fund are set by law and are not subject to personal choice. If you die and you have no survivors eligible under the 1977 Fund law, your contributions plus interest will be refunded to your estate.

### Line of Duty Benefits

#### Death Benefit

If you die in the line of duty (as determined by the PERF board), a special death benefit of \$150,000 will be paid to your surviving spouse, or surviving children if there is no spouse. If you have no surviving spouse or child, the special death benefit is payable to your parents.

#### Survivors of Members Who Die in the Line of Duty

If you die in the line of duty while an active member of the 1977 Fund, the following survivor benefits will be paid.

- Your surviving spouse is entitled to a monthly benefit equal to 100% of your monthly retirement benefit payable for the spouse's lifetime. Your retirement benefit will be calculated as though you were receiving retirement benefits at age 52 with 20 years of service. If you have more than 20 years of service, your benefit will be increased by 1% for each six months of additional service. Your spouse may remarry without the risk of losing the benefit.
- Each of your surviving children are entitled to a monthly benefit equal to 20% of your monthly retirement or disability benefit until the child reaches the age of 18 or until the age of 23 if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university. Your retirement benefit will be calculated as though you were receiving retirement benefits at age 52 with 20 years of service. If you have more than 20 years of service, your benefit will be increased by 1% for each six months of additional service.
- If you have no surviving eligible child or spouse, upon submission of satisfactory proof that your parent or parents were wholly dependent on you, your surviving parent or parents, if qualified, are entitled jointly to receive 50% of your monthly benefit during their lifetime. Your retirement benefit will be calculated as though you were receiving retirement benefits at age 52 with 20 years of service. If you have more than 20 years of service, your benefit will be increased by 1% for each six months of additional service.

#### Disabled Child Benefits

All survivor benefits for disabled children, whether paid on account of a member's death in the line of duty, not in the line of duty, or on account of a retiree's death, will continue during the period of the child's physical or mental disability (regardless of age) upon submission of satisfactory proof that the child is mentally or physically incapacitated. If the child is at least 18, is mentally or physically incapacitated, and is not a ward of the state, the child is entitled to receive a survivor benefit equal to the greater of 30% of the monthly pay of a first class patrolman or firefighter or 55% of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the members death.

#### Cost of Living Adjustments

Each year the PERF Board determines if there has been a change in the Consumer Price Index. Beginning on July 1 of the year after your benefits start, monthly retirement benefits for members and your survivors are increased or decreased by the percentage change in the Consumer Price Index, but

## BENEFIT APPLICATION CHECKLIST

not by more than 3%. The benefit cannot be decreased below your original benefit.

### Retirement Application

The following must be submitted to the 1977 Fund in order to process your retirement benefit.

- Properly completed application for retirement benefits;
- Copy of your birth certificate, baptismal certificate or passport; and
- Completed tax withholding forms (state and federal).

### Survivor Benefit Application

The following must be submitted to the 1977 Fund in order to process your survivor benefit.

- Properly completed survivor benefit application;
- Copy of marriage certificate and affidavit stating member was actually married to spouse at the time of death (for surviving spouse claims);
- For surviving child claims, birth certificates of any survivors; and
- Death certificate of deceased member.

## REFUND OF MEMBER CONTRIBUTIONS

This section only applies to members of the 1977 Fund; refunds are not available for “converted” members of locally administered funds who elected to be covered by the 1977 Fund provisions.

If you end your employment other than by death or disability before you complete 20 years of service, you may apply for a refund of your member contributions plus accumulated interest. To receive a refund, you must complete a Claim for Refund form, which can be obtained from either your employer or the 1977 Fund. Should you not request a refund immediately, your account will earn interest for a period of five years.

However, if you return to service after taking a refund, you are entitled to credit for your prior years of service only if you pay back the total amount of the refund including interest.

If you have at least 20 years of service and decide to terminate employment before you are age eligible for retirement benefit, your member contributions will be held until you become eligible for a benefit (age 50 for a reduced benefit, or age 52 for an unreduced benefit). Your member contributions will be used to help fund your retirement benefit.

## TAX CONSEQUENCES

### Refund of Member Contributions

If you terminate employment before you complete 20 years of service, you can withdraw your 6% member contributions and accumulated interest from the 1977 Fund. You may elect to have the refund paid directly to you, or you may direct the 1977 Fund to make a direct rollover of the refund amount.

#### Payment Directly to You

If you elect to withdraw your member contributions and you do not make a direct rollover of the refund, it is subject to mandatory 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers.

If you receive a refund of your 6% member contribution before you reach age 55 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an early distribution tax penalty equal to 10% of the taxable portion of the payment. See the Special Tax Notice enclosed with a refund application for more information.

#### Direct Rollover

A direct rollover is a direct payment of some or all of the amount of your refund of 6% member contributions to a traditional IRA or an eligible employer plan (such as a 403(b) tax sheltered annuity, a 457 deferred compensation plan), or a 401(a) qualified plan that will accept it. You can choose a direct rollover of all or any portion of your payment that is an eligible rollover distribution. You are not taxed on any taxable portion of your payment for which you choose a direct rollover until you later take it out of the program you rolled it into. In addition, there is no income tax withholding on the amount you rollover. See the Special Tax Notice enclosed with a refund application for more information.

You will only be taxed on your benefit payments when they are received.

### Retirement Benefits

When you retire, you will be taxed on all of your benefit payments when they are received, except a portion attributable to your 6% member “tax basis” (the amount of your 6% contributions that you were taxed on when the contributions were paid to the 1977 Fund). “Picked up” contributions are not basis because they are not included in income when made. A portion of your non-taxable amount will be recovered from each benefit payment over a pre-determined number of payments based on your age at the time your benefits start. This schedule is set by Internal Revenue Service regulations.

Once all non-taxable amounts have been excluded from your benefit payments, 100% of all remain-

ing benefit payments will be included as taxable income.

The 1977 Fund will report to you each year on a Form 1099-R the taxable and non-taxable (if any) portion of your benefits.

### **Tax Withholding**

PERF is required to withhold income taxes on refunds. PERF is also required to withhold taxes on monthly payments unless you elect not to have taxes withheld. When applying for the 1977 Fund benefits, make sure you complete the tax withholding forms.

The taxation rules are complex, so if you need additional information, you should obtain IRS Publication 575; or, if you need further assistance, you should contact your local IRS office or a tax consultant.

When applying for the 1977 Fund benefits, make sure you complete the tax withholding forms.

## 1977 FUND FREQUENTLY ASKED QUESTIONS

### **1. What conditions must be met before I may become a member of the 1977 Fund?**

*You must be less than 36 years of age and must pass the required statewide baseline physical and mental examinations.*

### **2. What types of benefits are payable to members of the 1977 Fund?**

*The 1977 Fund pays retirement, disability, and survivor benefits to eligible members.*

### **3. What amounts are contributed to the 1977 Fund by employers in order to fund benefits?**

*Employers currently contribute an amount equal to 21% of each member's base salary to the 1977 Fund.*

### **4. What amounts are contributed to the 1977 Fund by members in order to fund benefits?**

*Members contribute an amount equal to 6% of base salary. This contribution is required only until the member has completed 32 years of covered service. Some or all of this 6% contribution may be paid (or "picked-up") by the employer on behalf of the member.*

### **5. When is a member eligible to receive full retirement benefits?**

*A member who is at least age 52, has at least 20 years of covered service, and has separated from employment is eligible for full retirement benefits.*

### **6. What are the full retirement benefits for an eligible member of the 1977 Fund?**

*The member is entitled to a monthly benefit equal to 50% of base salary in the year the member retires. If the member has more than 20 years of covered service, the member will receive an additional 1% of base salary for each 6 months of service over 20 years, up to an additional 24%.*


### **7. Can a member take reduced early retirement benefits?**

*If a member has at least 20 years of service, the member can elect to receive actuarially reduced benefits at age 50 (86% of the age 52 benefit).*

### **8. Is there a COLA payable to 1977 Fund retirees?**

*Beginning July 1 of the year after a member's or survivor's benefits start, the benefits are increased or decreased by the percentage change in the CPI (not to exceed 3%).*

### **9. If a member terminates covered employment, can the member withdraw his or her contributions to the 1977 Fund?**



*If a member terminates employment before completing 20 years of service, the member can withdraw the member contributions and accumulated interest. This does not apply to a member of an “old” pension fund who converted to the 1977 Fund benefits structure.*

**10. At what age am I eligible for a pension if I earn twenty years of service?**

*You may retire at age 52, or at age 50 with reduced benefits (86% of the age 52 benefit).*

**11. If I remarry, do I need to change my beneficiary?**

*No. You do not need to designate a beneficiary. Provisions for survivors are set by the Indiana statutes.*

**12. Am I required to withdraw my contribution account when I leave employment covered by the 1977 Fund?**

*No. You are not required to withdraw your contribution account at that time.*

**13. If I withdraw my contributions and then later become re-employed as a police officer or firefighter, may I buy back that forfeited service?**

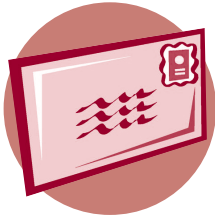
*Yes. You may purchase your prior service by paying back the member account balance that was refunded, with interest.*

**14. If I terminate employment, can I become re-employed after becoming age 36?**

*There are special provisions in the Indiana statutes for individuals who meet the conditions for re-appointment in IC 36-8-4-7.*



## COMMUNICATING WITH THE FUND



If you need information about the 1977 Fund, current forms, or publications, please contact the 1977 Fund directly. The 1977 Fund's mailing address is as follows:

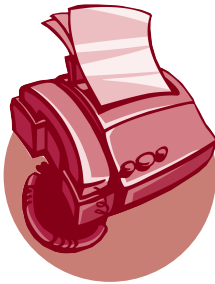
1977 Police Officers' and Firefighters'  
Pension and Disability Fund  
143 West Market Street, Suite 400  
Indianapolis, Indiana 46204



When you write to the 1977 Fund, please furnish your full name, current address and signature. Office hours are from 8:00 a.m. to 5:00 p.m., Monday through Friday, except on State holidays.

The telephone numbers of the 1977 Fund staff are listed below:

|                              |                |
|------------------------------|----------------|
| Director .....               | (317) 233-4146 |
| Benefits Administrator ..... | (317) 233-4152 |
| FAX Number .....             | (317) 234-1529 |
| Toll Free Number .....       | 1-888-526-1687 |



*Visit us on the web at [www.perf.in.gov](http://www.perf.in.gov).*

## NOTES